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Department of State AU 4 ITUS
TELEGRAM

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ACTION: AmEmbassy ROME

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SUBJECT: CivAir

REFERENCE: STATE 180353

DEPARTMENT OF STATE A/CDS:MR
REVIEWED BY Wm S DATE 25 MAY 1969
PORTIONS DENIED AS INDICATED

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1. Per reftel, Dept wishes give Santini consolidated US paper for November 10 informal meetings. Request Emb prepare Memorandum using text below and give to Santini on November 6. Dept will give same text to Ambassador Ortona same day. Please advise any immediate Santini reaction to Memorandum.

2. Text of Memorandum:

"The informal civil aviation meetings scheduled to begin in Washington on November 10 will enable representatives of the Governments of Italy and of the United States of America to ascertain whether there is sufficient agreement on the elements necessary for a/bilateral -- new air transport agreement to permit an early and successful resumption of formal negotiations. To this end, the agenda for the informal talks should include a brief review of (a) the text of the new agreement, (b) multiple designation of airlines, (c) an understanding on capacity, (d) all-cargo services, (e) routes, and (f) other matters."

DRAFTED BY:

E/OA/A Rodriguez:mm

DRAFTING DATE

11/5/69

TEL. EXT.

21232

APPROVED BY:

E/TT - Mr. Loy

CLEAR:

E/OA - Mr. Meadows

CAB - Mr. Scibilia

DOT - Mr. Binder

EUR/AIS - Mr. White

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The Memorandum of Consultations signed at Washington, D.C., on December 20, 1968 at the end of the last round of formal negotiations set forth the understandings that had been reached on these various items and indicated the issues that required further examination. In order to move ahead to conclusion of a new agreement, it would be desirable in the informal meetings to confirm the understandings reached 21 December 1968 and to seek agreement in principle on the unresolved issues.

"In the interest of making the informal session as fruitful as possible, this Memorandum sets forth below the present official views of the United States Government on how the remaining items may be resolved.

"A. The Text of the Agreement

"As stated in the Italian Memorandum of October 4, 1969, a draft agreement had been discussed in December, 1968, and, as noted in the December 20, Memorandum of Consultations, had been accepted by both sides with the exception of certain articles regarding airport charges, customs and fares. The informal meetings will afford an opportunity for a further exchange of views on these remaining articles. The USG views on these items are as follows:

"1. Article 7 (Airport Charges)

The USG recognizes that the present circumstances at Fiumicino Airport makes it difficult for the GOI to accept the obligations of Article 7. However, it is desirable to retain this provision, which parallels a similar obligation under the Chicago Convention. Accordingly, the USG proposes ~~XXXX~~ that (a) Article 7 be retained in the basic agreement, and (b) that supplementary document state that, because of government ownership, the Italian carrier is presently exempt from payment of landing

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that
fees at Fiumicino, but Italy will take appropriate steps to eliminate this exemption in the near future.

"2. Article 8 (Customs)

The USG believes that it is particularly important that the customs provision should exempt from duty 'ground equipment,' as is provided in the US draft proposal. Accordingly, the USG requests that the Italian Government reconsider acceptance of this article as originally proposed. If there is some limitation on Italy arising from its European Economic Community obligations, this could be recognized in a supplementary document, pending resolution of the problem.

"3. Article 10 (Rates)

During the December 1968 negotiations, the Italian Delegation indicated that its principal objection to the US proposed article on rates was that it did not sufficiently recognize the IATA rate mechanism. The USG wants to assure the GOI that it fully accepts the IATA rate procedures and that this is the full intent of the US draft Article 10. Accordingly, the USG hopes that it may be possible for Italy to accept the draft article proposed by the USG.

"B. Multiple Designation of Airlines

This issue is clearly the most difficult item to be dealt with; in informal talks both sides have modified their positions in an effort to reach a compromise. Having reviewed the discussion of this matter in December, 1968, and the various informal views expressed by both sides subsequently, the USG has prepared a new formulation taking as fully into account as possible the various informal views which have been exchanged.

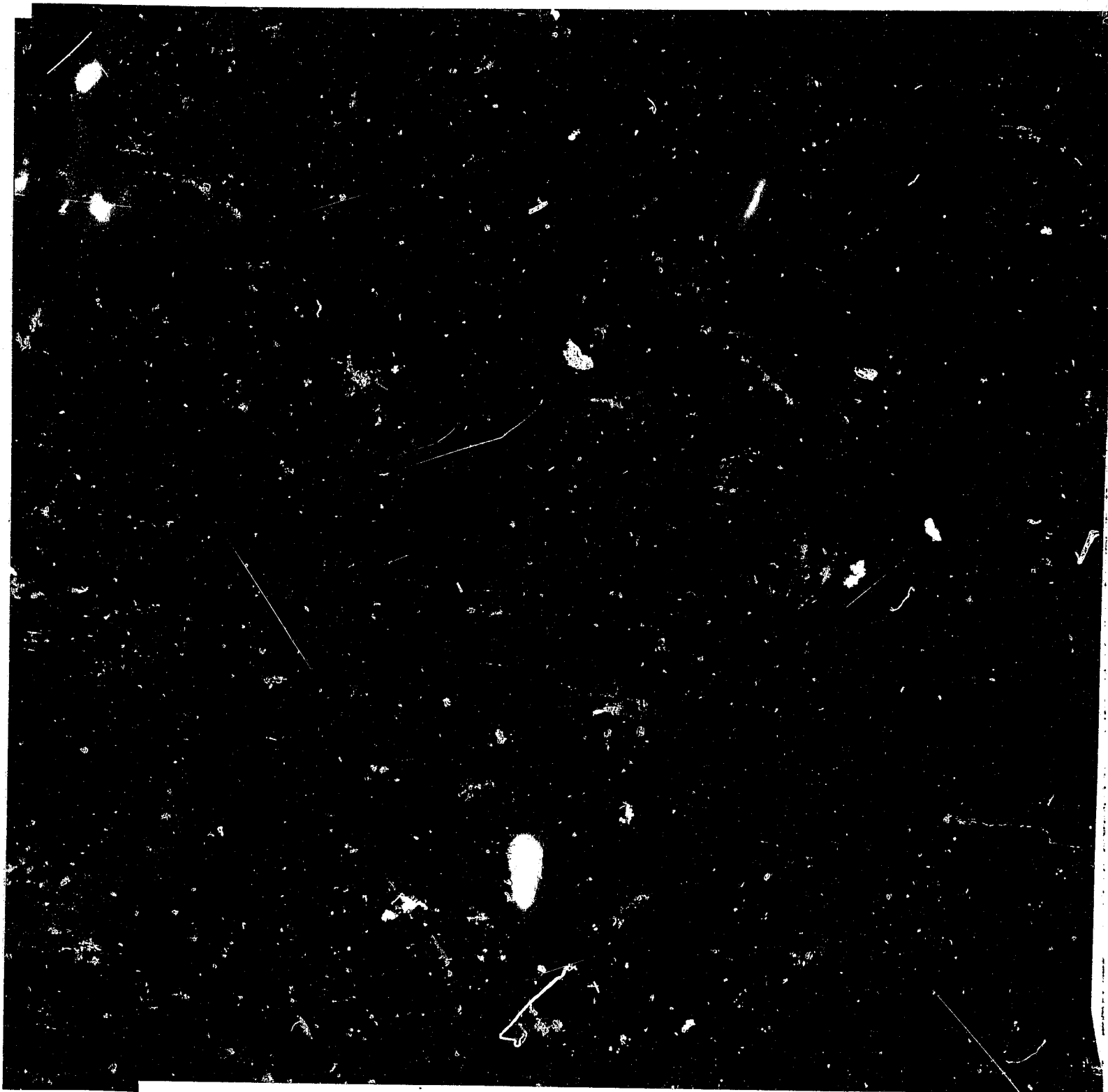
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"C. Capacity

In the December 1968 negotiations, substantial agreement was reached on a supplementary document on capacity, but certain aspects of this supplementary document had not been accepted by both sides. The principle difficulty in this paper seemed to be the question of the introduction of 747 aircraft. Although the USG believes that the inclusion of this provision is unnecessary and perhaps undesirable, in an effort to resolve this issue the USG is now prepared to accept language along the following lines:

'Both parties agree that to the extent that introduction of the 747 and the other wide-bodied jets involves an increase in capacity--where frequencies of such aircraft are substituted for frequencies of smaller aircraft--any increase caused by such introduction would be a legitimate issue in any consultations on capacity.'

"D. All-Cargo Services

The USG recognizes that this is a most troublesome question. After taking into account various representations of both sides over the last year, the US feels that a formulation that takes into account the problems of both sides is required.

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The US agrees that all services should not be covered by the capacity provisions of the agreement for a period of two years. However, for a variety of legal and operational reasons other provisions of the Agreement should have immediate and continuous application. Since the capacity provisions would not apply, the two sides should agree on levels of services for the two-year period. The US would like to use the levels discussed in December 1968 as a basis for discussions.

"E. Routes

Although no definitive agreement was reached on the route proposals exchanged in the December 1968 negotiations, a significant degree of acceptance had been reached. After reviewing the December negotiations and informal views expressed subsequently, the USG has prepared a revised route proposal for consideration by Italy that adheres closely to the route exchange considered in December. This new route formulation reads as follows:

"DRAFT REVISED ROUTE PROPOSAL

"1. For the United States

An airline or airlines designated by the Government of the United States of America shall be entitled to operate air services on the routes specified, in both directions, and to make scheduled landings in Italy at the points specified in this paragraph:

"From the United States via intermediate points in Ireland*, the United Kingdom*, France, Germany, Switzerland, Spain, and Portugal to:

a. Milan, Turin*, Pisa*, Naples*, and Rome.

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b. Rome and beyond to Greece, Turkey, Lebanon, Israel, United Arab Republic, Saudi Arabia, Iran, Pakistan, India, Ceylon, Burma, Thailand, Viet Nam, Mainland China, and Hong Kong, and beyond.

* Traffic rights at points marked with an asterisk are for cargo and mail traffic only whether carried separately or in combination with passenger traffic.

"2. For Italy

An airline or airlines designated by the Government of Italy shall be entitled to operate air services on the routes specified, in both directions, and to make scheduled landings in the United States at the points specified in this paragraph,

- a. From Italy via intermediate points in the United Kingdom and Portugal to Boston and New York.
- b. From Italy via Montreal to Chicago and Los Angeles.
- c. From Italy via France to Washington and Dallas.

"3. Points on any of the above specified routes may at the option of the designated airline or airlines be omitted on any or all flights.

"F. Future Negotiations

In the December 1968 negotiations, the Italian Delegation proposed a supplementary document, which was not discussed, regarding future negotiations to examine further route desires of both sides. A restatement of the Italian desire in this respect was contained in the Italian memorandum of October 3, 1969. The USG agrees in principle that an understanding on future consultations could be introduced

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into one of the supplementary documents, and proposes the following:

'With respect to various other route proposals examined by both Parties in the past, it is recognized that either side at any time may request consultations, to be held within 90 days from the date of the request, for the purpose of seeking agreement on a further exchange of additional route authority,'"

END

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